

HOUSE BILL REPORT

SSB 6247

As Reported by House Committee On: Transportation

Title: An act relating to uniform administration of locally imposed motor vehicle excise taxes.

Brief Description: Providing uniform administration of locally imposed motor vehicle excise taxes.

Sponsors: Senate Committee on Transportation (originally sponsored by Senators Haugen and Benson).

Brief History:

Committee Activity:

Transportation: 2/21/06, 2/23/06 [DP].

Brief Summary of Substitute Bill

- Implements a structure for the calculation and administration of any future, locally imposed motor vehicle excise tax.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 28 members: Representatives Murray, Chair; Wallace, Vice Chair; Woods, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Appleton, Buck, Clibborn, Curtis, Dickerson, Ericksen, Flannigan, Hankins, Holmquist, Hudgins, Jarrett, Kilmer, Lovick, Morris, Nixon, Rodne, Schindler, Sells, Shabro, Simpson, B. Sullivan, Takko, Upthegrove and Wood.

Staff: Jerry Long (786-7306).

Background:

Initiative 776 repealed state laws governing how vehicles are valued for purposes of excise taxation. Jurisdictions that currently impose a motor vehicle excise tax (MVET) are obligated through indebtedness to utilize the repealed valuation statutes. Other local jurisdictions with the authority to include the MVET in voter approved, local transportation plans do not have any guidance in state statute for establishing base vehicle valuations or rates of depreciation.

The 2005 transportation budget directed the Joint Transportation Committee (JTC) to study the feasibility of developing a uniform MVET tax depreciation schedule that more accurately reflects vehicle value yet does not hinder existing debt obligations. The study group considered 11 alternatives and was able to model results for seven of them. Modeling

indicated that revenue neutrality and the realignment of values were mutually exclusive for the two jurisdictions that currently levy voter approved MVETs; Sound Transit and the Seattle Monorail. The study group identified two alternatives for the JTC to consider foregoing the revenue neutrality requirement and instead consider creation of a prospective, uniform valuation and depreciation methodology that more accurately reflects vehicle value.

Summary of Bill:

A standard administrative structure for the calculation and administration of any future, locally imposed MVET is established.

Two new depreciation schedules are implemented. One for vehicle classes other than medium and heavy trucks and then one for medium and heavy trucks.

The first schedule applies to motor vehicles other than medium or heavy trucks. The starting value will be 85 percent of the manufacturer's base suggested retail price of the vehicle when it is first offered for sale as a new vehicle excluding any optional equipment, taxes, transportation or shipping costs. The table is a 16 year table and at the 16th year the MVET depreciation percentage is 10 percent forever. If a manufacturer's suggested retail price is not available, then the Department of Licensing (DOL) is authorized to determine a value using a guide book, report, compendium or an appraisal.

The second schedule is for use in valuing medium and heavy trucks. The latest purchase year is to be considered the first year of service. Each time the truck is sold, the value starts back at year one at the last purchase price excluding taxes, transportation or shipping costs, or preparatory or delivery costs. When the truck is owned by the same owner for 16 years or longer, the trucks depreciation percentage for MVET calculation is zero. If there is a reissuance of title and registration because of the installation of body or special equipment it will be treated as a sale and the new value be considered the last purchase price.

Value for MVET purposes will exclude value attributable to modifications of a motor vehicle and equipment that are designed to facilitate the use or operation of the motor vehicle by a person with a disability.

Provisions governing the administrative role of county auditors and the DOL are also codified including issuance of receipts, refunds, and distribution of revenue to the taxing authority. The DOL charges for administration of the MVET are capped at 1 percent of tax collections.

Redundant provisions and provisions rendered obsolete by Initiatives 695 and/or 776 are repealed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Presently there is no guidance for local government to impose a future local motor vehicle excise tax (MVET). All of the tables, even though there is authority to have voter approved MVETs the MVET tables have been repealed by initiatives.

Testimony Against: None.

Persons Testifying: Julie Sexton, Washington Association of Counties.

Persons Signed In To Testify But Not Testifying: None.